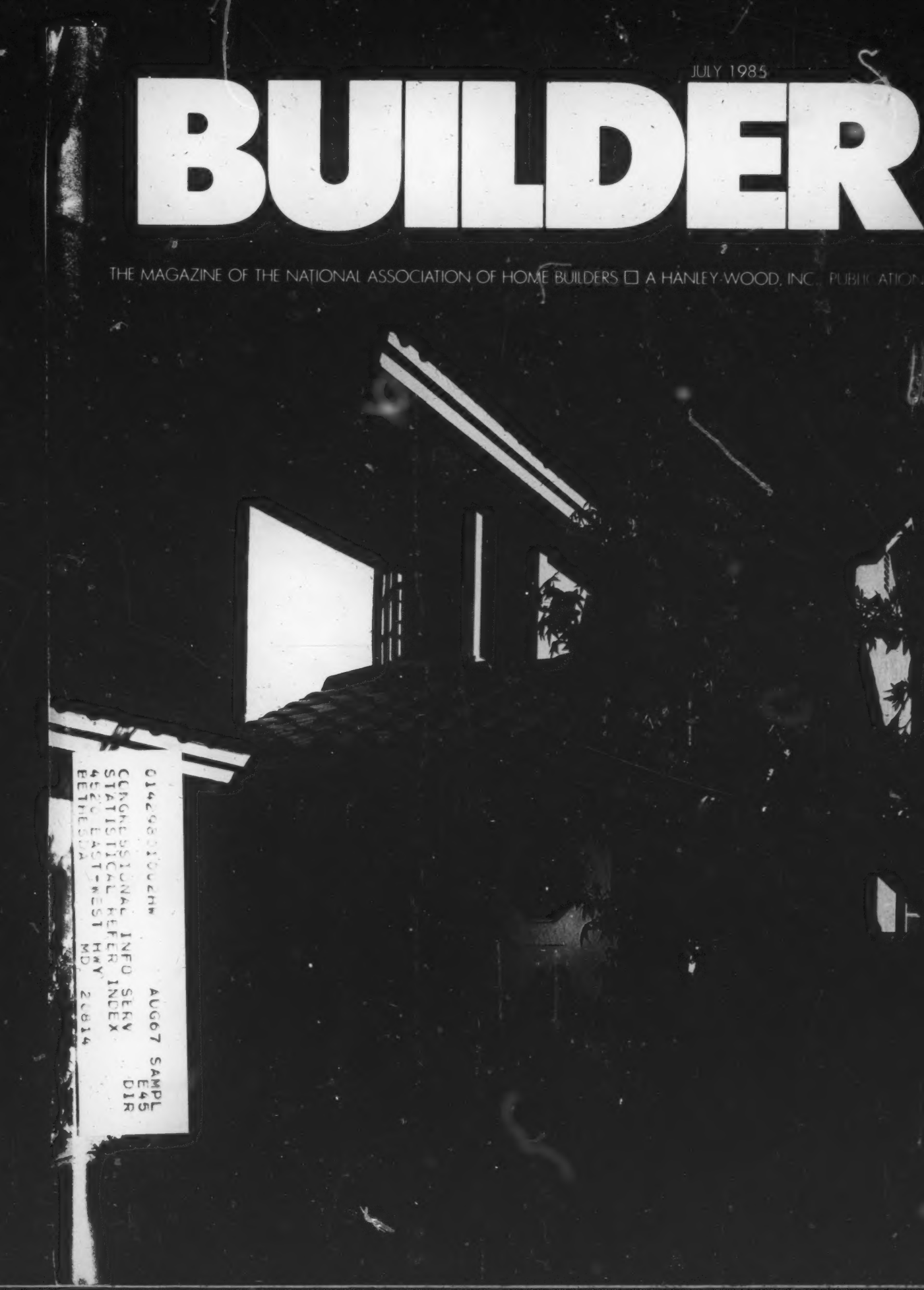
JULY 1985

BUILDER

THE MAGAZINE OF THE NATIONAL ASSOCIATION OF HOME BUILDERS ☐ A HANLEY-WOOD, INC. PUBLICATION



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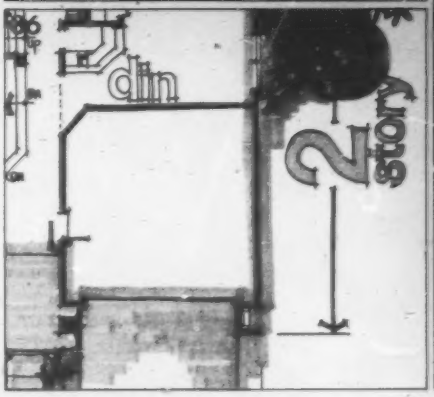
VOLUME 8, NUMBER 7 ■ JULY 1985

BUILDER

COLUMNS
5 About Building
16 Money
26 Washington
30 Marketing
34 Strategy

DEPARTMENTS
11 Outlook
98 Sketchbook
102 Shoptalk
107 NAHB Report
115 New Products
124 Product News
135 Ad Index
136 Mail

NEWS
38 Single-family surge softens condo fall
39 Reagan tax plan would hurt rentals
46 City helps builder keep units affordable
50 Poll: don't meddle with home deduction
50 S&Ls: leading source of permanent financing
54 Builders worry about housing the poor
60 Builders tell mayor they'll help rebuild



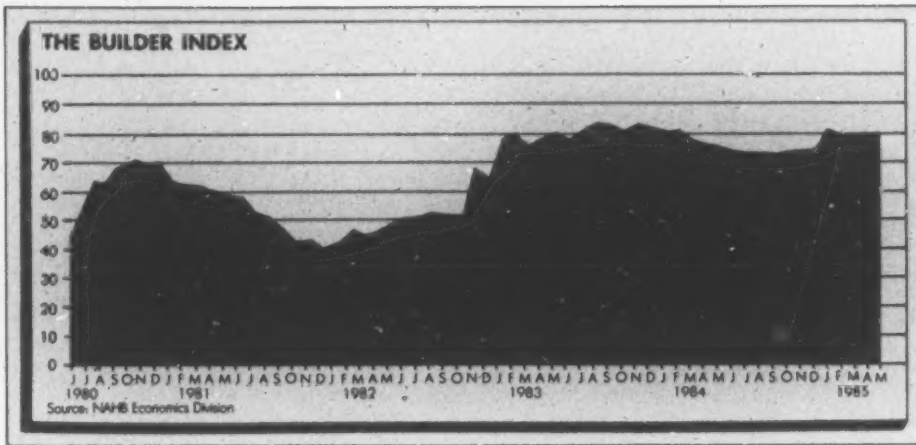
68—A STEP UP
As the red-hot starter housing market cools down, it's changing too. Price still is key, but buyers in the market now are willing and able to pay a little more for a little more house.
(Cover: Saddle Ridge, San Diego. Photo: Leland Lee)

78—NUTS AND BOLTS
There hasn't been a major breakthrough in construction methods or materials for housing in a long time. There are, though, many good, new products and systems that save time and money.

86—DESIGN WORKSHOP
The second part of a series on design ideas for detached housing focuses on the symbol of success—the two-story house. Prepared with William Devereaux, AIA, Berkus Group Architects.

92—PROJECT OF THE MONTH
Designed and built exclusively for disabled residents of Marin County, Calif., Camino Alto Court has been a big success. The specially designed apartments rented immediately, and those who live there are exuberant about their new-found independence.

OUTLOOK A HOUSING INDUSTRY ANALYSIS PREPARED BY THE NAHB ECONOMICS DIVISION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Source: NAHB Economics Division

The BUILDER Index increased in May to 79.12 as a result of a mortgage-rate decline and increased builder optimism.

The BUILDER Index measures near-term (3 to 6-month) housing activity. It is a composite of seven housing industry indicators: building permits, Government National Mortgage Association yields, the Producer Price Index (construction materials), framing lumber and plywood composite prices, builders' sales expectations, home buyer traffic and the confidence index of home buying. The base measurement period (100) is housing conditions in July 1978. The BUILDER Index is updated monthly.

Balancing Act

Michael Sumichrast
NAHB chief economist, Washington, D.C.

Almost everyone in the housing industry, including me, takes potshots at the federal government. But it's hard to fault some federal housing programs. Right now that's especially true of government-insured mortgage programs and tax-exempt revenue bonds.

Together they are helping to sustain housing starts at unexpectedly high levels. Yes, starts are down slightly from last year, but April's starts rate of 1.9 million is respectable by any standard. And tax-exempt revenue bonds deserve a great deal of credit. Last year bond volume increased 33 percent to $20 billion. Buyers and renters snap up bond financing because it carries lower rates, and the volume has been so high because the Treasury Department's tax proposal calls for discontinuance of the program.

The bond financing is usually targeted to and most attractive to first-time buyers whose biggest problem is usually affordability. That being the case, it's no wonder so many are running to three government mortgage insurance programs: FHA, VA and Farmers Home Administration (FmHA). In the first quarter of this year, when the total of all units sold actually dropped 4.6 percent, FHA, VA and FmHA activity increased by 13 percent. Even more dramatic was the increase from fourth quarter 1984 to first quarter 1985—activity up 47 percent and a 32 percent increase in the government-insured program's share of the total mortgage market. (Total FHA applications for home insurance are up 39 percent on a quarter-to-quarter basis from 1984 to 1985. The rate was up to 749,900, compared with 529,600 a year ago.)

The programs are popular because they require either a small or no down payment and they carry a fixed interest rate and low rates generally. (The VA rate is down to 11.5 percent.)

In spite of the boost from government programs, the national starts picture is mixed. The Northeast is the only region up from last year. The South, which accounted for nearly one-half of all starts, is down 14 percent for the first

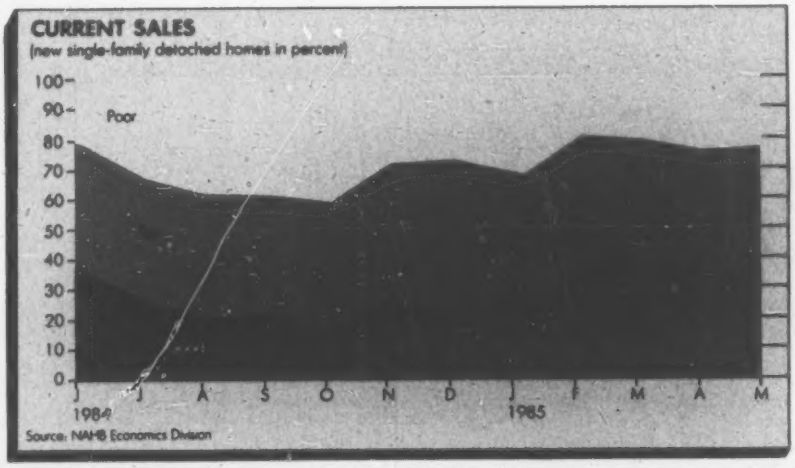
CONTINUED ON PAGE 13

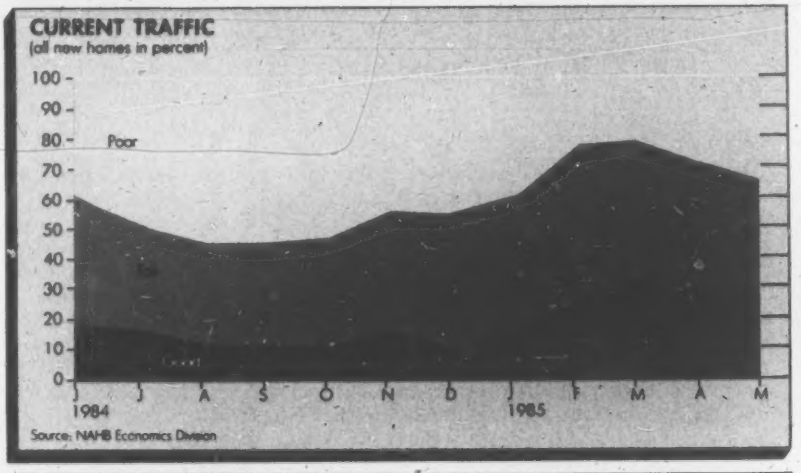
ACTUAL HOUSING STARTS, FIRST FOUR MONTH COMPARISONS
(in thousands of units)

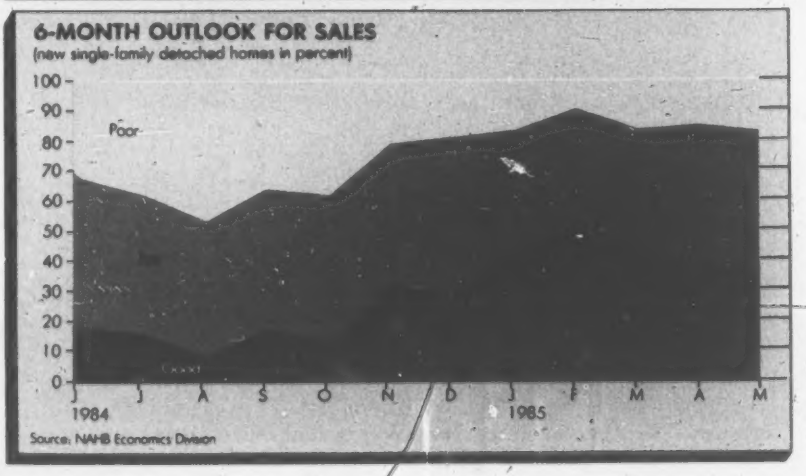
Region	1984	1985	Percent change
U.S. Total	549.4	519.2	−5.5%
Single-family	343.0	324.2	−5.5
Multifamily	206.4	194.9	−5.6
Northeast	44.1	59.3	+34.5%
Midwest	55.9	54.2	−3.0
South	303.1	260.3	−14.1
West	146.2	145.3	−0.6

Source: Bureau of the Census

OUTLOOK/BUILDER POLL







STEADY CONDITIONS

The May BUILDER Poll shows no big change, up or down, in buyer traffic, new home sales or builders' expectations. In effect the survey results indicate that the housing market in general is holding its own, but as has been the case all year, conditions vary considerably from one region to another.

Builders in the Northeast are the most optimistic by far. As one Connecticut builder put it, "There's tremendous demand for housing. It's almost unbelievable."

Almost 80 percent of builders throughout the Northeast classify current new home sales as good, and about the same number expect them to remain that way for at least six more months.

By contrast, only 14 percent of the builders in the West report strong current sales, and only 18 percent term the six-month outlook good. Builders in the South and Midwest are slightly more optimistic.

Interestingly, while the percentage of builders reporting or expecting good sales does vary widely from region to region, the percentage that expects sales to be poor over the next six months does not. It ranges from a low of 7 percent in the Northeast to 22 percent in the South and averages only 17 percent nationally.

The information on this page is based on a survey of approximately 800 builders. The survey, conducted each month for BUILDER by the NAHB Economics Division, asks builders to rate present new home sales, current traffic and the 6-month sales outlook as either good, fair or poor.

MORTGAGE RATES DROP
The VA mortgage rate on single-family homes dropped to 11.5% in early June—the lowest rate in two years. It was the third 0.5% decline in less than three months.

MILEAGE LOG DROPPED
Builders no longer have to worry about keeping a running log of every mile they drive between job sites. After hearing from irate business people, Congress has repealed a provision in the 1984 Tax Act that required the keeping of contemporaneous written records to justify business expense deductions. Now it's back to the old way: Adequate written records or other evidence must be kept, but it isn't nearly the job it would have been.

MOBILE HOME INDUSTRY UNDER FIRE
The Veterans Administration investigation into fraudulent invoice padding in the mobile home industry (BUILDER, October 1984) has led to the indictments of four mobile home companies; all plead guilty to criminal charges of defrauding the VA. Fifty-two other manufacturers have not been indicted but agreed to plead guilty to similar charges. The companies agreeing to accept criminal settlement—criminal fines, civil damages, temporary debarment from the VA loan program—include some of the biggest mobile home manufacturing companies in the country and represent 70% of the industry's production capacity. This "packing" process added between $200 and $5,000 to the price of a mobile home, costing consumers some $100 million, investigators said.

The VA now is seeking wide prosecution of dealers.

MEDIAN PRICES UP SLIGHTLY
The median price of existing single-family houses sold across the country rose only 3.4% to $73,900 between the first quarter of 1984 and the first quarter of 1985, reports the National Association of Realtors. But median prices varied widely according to market, ranging from a low of $46,900 in Buffalo/Niagara Falls, N.Y., to a high of $132,100 in Anaheim/Santa Ana, Calif. Other high-priced metropolitan areas were New York/northern New Jersey/Long Island, with a median resale home price of $125,400; greater Los Angeles, $114,300; and Boston, $108,600. Median resale prices actually declined in six of the 43 metro areas surveyed: Anaheim/Santa Ana, down 1.1%; Birmingham, Ala., down 4.6%; Columbus, down 2.0%; Milwaukee, down 4.6%; Salt Lake City/Ogden, down 0.2%; and Tampa/St. Petersburg/Clearwater, down 4.5%. But resale prices jumped 10% or more in five metro areas, four of them in the Northeast: Boston, up 21.5%; Hartford, Conn., up 11.4%; New York/northern New Jersey/Long Island, up 24.7%; Syracuse, N.Y., up 13.1%; and Tulsa, up 11.5%.

EXISTING HOME SALES UP 6%
Thanks to lower mortgage rates, existing home sales in the first quarter of this year were higher in 24 states and the District of Columbia than in the same quarter a year earlier. Nationally, resales of single-family houses, condos and co-ops climbed nearly 6% during the period to an annual rate of 3.21 million, reports the National Association of Realtors. The highest resale rate during the first quarter was in California, followed by Texas and Pennsylvania. The largest percentage increases in resales occurred in Massachusetts, up 22.5%; Connecticut, up 22.4%; and Maine, up 20.8%.

CONTINUED FROM PAGE 11

four months of this year compared with the same period last year.

Housing starts in the farm and oil states also are down. And as long as housing starts in two-thirds of the states continue to run below last year's levels, 1985 cannot be stronger than 1984. Only two states are down in the Northeast—Maine and Rhode Island—but starts in the two totaled fewer than 2,000 units last year. On the other hand, New Jersey and New York are up 52 percent.

Other big housing-producing states are down: Texas by 36 percent, or 20,000 units; Florida by 6,000 units; Oklahoma and Colorado down 4,000.

In all the markets the multifamily sector is being supported by an increase in volume of tax-exempt revenue bonds, rent increases, strong demand (as many people feel the affordability pinch), conversion of rental units, slower price appreciation and fear of tax changes.

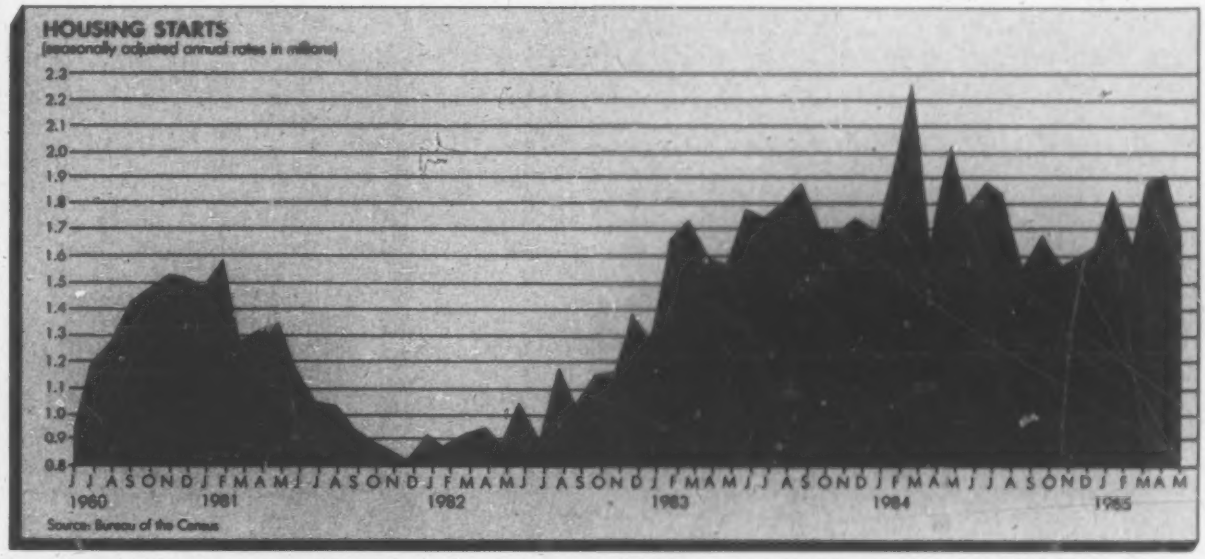
On the other hand, the condo market is not doing well. Maintenance problems, condo fee increases, deflated prices and lots of bad publicity have created a real image problem. As a result, unsold inventory is piling up; as many as 100,000 new units are sitting unsold.

Actually deflation of new home prices is fairly widespread and particularly troublesome in areas with heavy overbuilding and declining economies. This is causing problems in the resale market and has had a dramatic impact on buyer psychology.

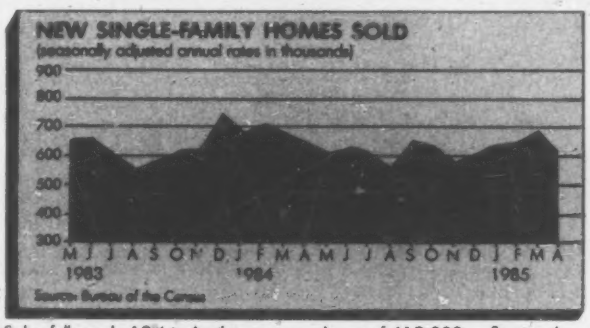
Other factors affecting the near future of housing are:

- A slowdown in economic growth and an expected increase in unemployment will cause interest rates to decline, but will be offset by the weakening economy.
- A slowdown in the FmHA program. Last year this program accounted for 3 percent of all starts.
- Higher FHA and VA user fees. This cannot help these programs and will mean that fewer people will qualify.
- Dramatic increases in land prices. The recovery has opened up demand and smart builders are already staying away from the bidding process.
- The tax proposal, which may discontinue tax-exempt revenue programs. In addition, it may make it hard, if not impossible, to build rental units.

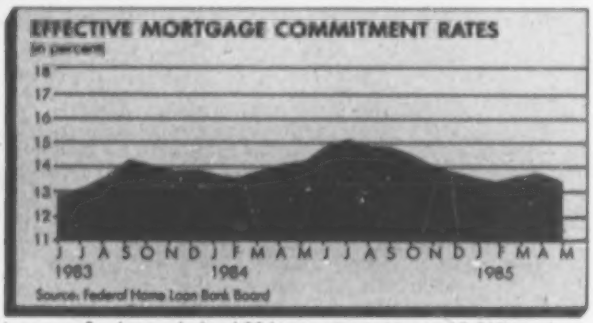
On balance, then, our forecast for 1985 remains unchanged: 1.65 million starts, down from 1.75 million last year. Our base forecast shows a further decline in 1986 to about 1.5 million units. And that may well turn out to be an optimistic forecast.



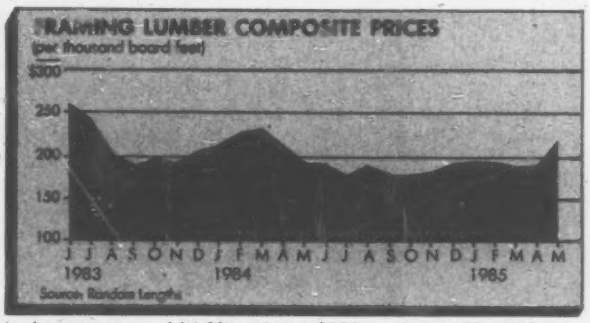
Starts dropped 14% in May to an annual rate of 1.66 million. Apartment starts fell the most, plunging 22.5% to an annual rate of 510,000. Single-family starts declined 10%. Total May starts were down 6.7% from a year earlier.



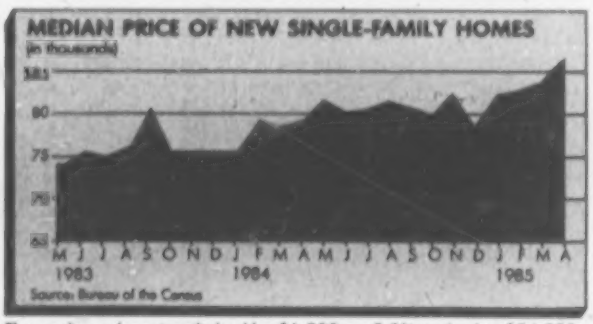
Sales fell nearly 12% in April to an annual rate of 612,000, reflecting the general economic slowdown. It was the first dip in five months. Sales were 5% lower than a year earlier.



Long-term fixed rates declined 30 basis points in May to 13.51%, and uncapped adjustable rates fell 29 basis points to 11.51%. Fixed rates were 84 basis points lower than a year earlier.



Lumber prices jumped 16.8% in May to $223 per thousand board feet. It was the highest price in more than a year and 15.5% higher than the May 1984 price.



The median sales price climbed by $1,900, or 2.3%, in April to $86,200 from an upwardly revised March price. The April price was $6,600, or 8.3%, higher than a year earlier.

NEWS

ECONOMY

SINGLE-FAMILY SURGE SOFTENS CONDO FALL

The comeback story of the year is in the making: The single-family detached house, long-rumored to be on its deathbed, is up and around and doing quite well, thank you.

At the same time, the sorriest story of the year also is unfolding: Condo sales are poor in many markets; three-year inventories are piling up in several Sunbelt cities.

The single-family comeback started in earnest in February, when singles accounted for 1.13 million of 1.6 million annual starts. They advanced in March to the highest level—1.15 million—since last spring.

And single-family sales have surged along with starts. New, one-family houses sold at a healthy annual rate of 698,000 in March, 9 percent higher than February's 638,000 and 3 percent higher than March 1984's 677,000 annual sales rate.

Another sign of revival is Chicago Title Insurance Company's recent annual survey of home buyer preferences. According to the survey, 87.8 percent of first-time home buyers chose single-family detached housing in 1983; 89.9 percent—a 2 percent increase—chose them in 1984.

In 1985 there should be even more opportunities to make that choice. Across the country builders are beginning to adjust their product mix to emphasize detached homes.

At Hillsborough, a planned development in San Diego, BUILDER 100 company Pacific Scene had earmarked 642 lots for duplexes and 55 for zero-lot-line detached homes. The detached, built in the first phase, sold out within six months. Even though the duplexes are selling at a healthy six per week, Jon Werner, San Diego division manager for Pacific Scene, is switching 145 lots tagged for duplex to detached. The move will mean Pacific Scene can finish sales four months ahead of time.

Ryland Homes, a BUILDER 100 company based in Columbia, Md., builds both detached and attached houses in its Mid-Atlantic region. According to Richard Bryan, Ryland's vice president for marketing, the company is experiencing a 4 percent increase in single-family sales as well as an increased interest in move-up products. Accordingly, Ryland is adjusting its Mid-Atlantic product mix to favor detached houses and is increasing the size of the houses by about 15 percent.

Other markets are experiencing similar single-family revivals. As Herb Emmerman, president of Chicago-based Equity Realty, a residential marketing firm, notes, "There aren't many statistics to support it, but observation of the markets we're in tells you there's a great deal of activity in single-family detached."

One of these markets is Tampa, where, Emmerman notes, "They're selling the devil out of single-family homes."

Kenn Entringer, director of communications for J.L. Mason, the St. Louis-based BUILDER 100 company that's active in the Tampa market, spells out just how active the devil is. Mason has been building $35,000 condos targeted for retirees/snowbirds and $70,000 stacked condos geared toward the Yuppie and native-Tampa market.

"The $35,000 condos are a real hot project; we're holding our own on sales," Entringer reports. Not so the $70,000 units. "We're being beaten to death by single-family detached at the same price. Our targeted market is now looking at green lawns. The market for younger people who don't want to mess with maintenance—a basic market for condos—is thinning out."

Mason is offering 5 to 7 percent price concessions on the $70,000 units and, Entringer notes, competitors at that price range are now offering optional features as standard and similar incentives.

In Phoenix, the story is the same. "The condo market is slowing down because there are so many single-family houses for sale at competitive price ranges," reports Wolfgang Klien, executive vice president, SEG, a Phoenix-based builder.

National condo sales, which are down sharply according to *U.S. Housing Markets*, a publication of Lomas & Nettleton, a Dallas-based mortgage banker, have clearly been affected by the rise of the single-family market, but its current problems run deeper.

At the heart of the problem, according to *U.S. Housing Markets*, is an expectation that condo starts will decline this year by as much as 35 percent nationwide—from 190,000 in 1984 to 130,000 in 1985—and 50 percent or more in many Sunbelt markets. Dallas, for instance, projects 1,800 condo starts, compared to 4,500 last year and 13,500 in 1983. Unsold in-

SINGLE-FAMILY DETACHED STARTS
(in thousands)

Month	Total
March 1984	1,076
April	1,163
May	1,118
June	1,077
July	996
August	962
September	1,009
October	979
November	1,043
December	1,112
January 1985	1,060
February	1,135
March	1,171
April	1,159

Source: U.S. Bureau of the Census

U.S. CONDO STARTS
(in thousands)

Year	Total
1974	175
1975	65
1976	95
1977	132
1978	156
1979	198
1980	186
1981	181
1982	170
1983	276
1984*	270
1985**	200-225

*estimated
**projected

Source: U.S. Housing Markets® Special Condos and Conversions Study

Drawing by Ziegler, copyright 1984 The New Yorker Magazine, Inc.

ventories in Dallas, San Antonio and other Sunbelt cities stand at two to three years.

Meanwhile, resale prices on condos have declined 15 to 35 percent in such diverse markets as Akron and West Palm Beach, Fla. Many units have seen no appreciation at all in the last two to five years.

The condo market traditionally has appealed to three types of buyers: first-time home buyers who were attracted to the lower prices condos afforded; investors who were looking for real estate appreciation and tax benefits; and empty nester/retirees who liked the maintenance-free lifestyle complemented by recreation amenities.

One of the problems facing the condo market is that two out of three of these buyers have abandoned the condo market.

First-time home buyers are finding single-family detached housing at the same price range and are opting, not unexpectedly, for the detached unit. In addition, adverse publicity about condo living—noisy neighbors, restrictive homeownership rules, costly structural repairs and aging recreation facilities—are creating an unfavorable buying climate.

"There was a surge in condo construction 10 years ago, and a lot of those projects are maturing. Repair and structural problems are surfacing, maintenance fees are increasing and that's affecting the market," notes Michael Sumichrast, chief economist for NAHB.

Investors, who made up more than one-third of the condo market in cities like Atlanta, Dallas, Houston, Phoenix and Tampa, have been hurt by lack of appreciation and negative cash flow that was often greater than the tax savings.

According to *U.S. Housing Markets*, some investor-owned luxury condos in Miami were renting for 50 to 60 percent of the mortgage payments. The result was a very high default rate on the investor-buyers' mortgages. Not surprisingly, mortgage insurers countered with a requirement of a 20 percent down payment for a nonoccupant buyer. This, plus the lack of appreciation, has virtually wiped out the investor market.

The retiree market, however, has been stable and, if anything, growing as the number of older people grows.

In spite of these widespread problems, the picture of a devastated condo market does not hold true across the board. Townhouse projects are doing much better than stacked condos—the ones built like garden apartments.

William Maybrook, vice president of Chicago-based Lexington Homes, points out that "the more single-family in nature the condo units are, the fewer problems they're having, especially in the suburban Chicago market."

And, while the Sunbelt is vastly overbuilt and reeling from inventories that Sumichrast estimates may be as high as 150,000 unsold new units, the Midwest and Northeast are treating condos more kindly. In cities where there is a history and premium attached to living downtown—cities like New York and Boston—condos are doing very well in downtown locations. Even in Phoenix, where there is an oversupply of condos, condos built in the inner city where they don't compete with single-family homes built in the outer suburbs are doing well, according to SEG's Klien. "There are people who want to live within 10 minutes of downtown, and if you target your project correctly, that condo market is there," Klien reports. SEG has been successful selling Morningside, in-town, stacked flat condos geared to the 32 to 45-year-old professional.

The situation is also positive in Los Angeles. "In Los Angeles proper there is no land to build a single-family tract, only scattered tracts where you can build condos. There's a tremendous need for housing within the center core," reports Mark Bornstein, vice president of Goldrich and Kest, the BUILDER 100 company based in Los Angeles that builds attached and stacked flat condos in the city and single-family units in the suburbs. "I can sell condos in the urban core because there are buyers with a desire for convenience and condos are the answer."

Penelope Lemov, business editor

GOVERNMENT

REAGAN TAX PLAN WOULD HURT RENTALS

President Reagan's new tax reform proposal treats housing better than the Treasury Department's plan, but it still would hurt the industry, especially rental apartment construction.

"Our initial analysis shows that the president's tax plan would increase rents and homeownership costs and reduce the value of existing real estate," says NAHB president John Koelemij.

"This proposal is better than Treasury-1," says Kent Colton, executive vice president of NAHB, "but it would still have a significant impact on the multifamily sector."

The president's proposal, unveiled in late May, would have nearly

CONTINUED ON PAGE 42

GOVERNMENT

POLL: DON'T MEDDLE WITH HOME DEDUCTION

Americans strongly support keeping the mortgage interest deduction for primary homes, but a majority would throw it out for second homes.

That was one finding of a national poll conducted for NAHB by Decision/Making/Information.

The survey of 1,500 people found that while 75 percent of those polled would save the mortgage interest deduction for primary homes, only 42 percent would keep it for second homes.

Despite the lack of popular support for the second home mortgage interest deduction, NAHB has vowed to fight for its survival. At a press conference held to announce the survey results, NAHB president John Koelemij was asked why people who don't have second homes should subsidize those who do through the tax system. He defended the deduction on grounds that second home construction stimulates the economy. "In some areas it's the only housing going up," he said.

On the other hand, the survey found ample support for retaining another homeownership deduction—that for property taxes. Some 71 percent want to keep it.

Overall, two-thirds of those polled support tax reform because they believe the current system is unfair and too complex. But only half said they were aware of any proposals to change the tax code.

Although none of the current tax reform plans would eliminate the mortgage interest deduction for primary homes, the survey sought to discover how such a change would affect home buying. Responses indicated that the mortgage interest deduction is not the primary motivation for buying, but eliminating it could affect a significant portion of sales.

Some 23 percent of renters said they would no longer want to buy a home if the mortgage interest deduction were ended. And nearly one-third of current homeowners said they wouldn't have bought their homes if they couldn't deduct interest.

In addition, 36 percent believe that the value of homes would decline if the amount of the mortgage interest deduction were reduced—a view shared by NAHB economists. But Koelemij seemed to contradict that position by denying that homeowner tax benefits raise home prices. "There is no direct link between tax shelters (for homeownership) and home prices," he asserted.

Not surprisingly, the survey found that buying a home is an important goal, especially among younger people. When asked "what good things would you like to happen to you and your family in the next five years?" buying a house ranked fourth behind good health, job security and financial independence, and just above winning a lottery.

However, respondents ages 25 to 34 ranked buying a house number one. Most of those surveyed (63 percent) also said that the federal tax system does too little to help young people own a home.

Carol Anderson

ELIMINATING HOUSING DEDUCTIONS

"Do you favor or oppose these changes in the federal income tax system?

	Strongly favor	Somewhat favor	Somewhat oppose	Strongly oppose	Don't know
Eliminate the interest deduction for second homes.	30%	27%	22%	20%	1%
Eliminate the deduction for property taxes.	13	15	23	48	1
Eliminate the mortgage interest deduction.	10	13	19	56	2

Source: Decision/Making/Information

FINANCE

S&Ls: LEADING SOURCE OF PERMANENT FINANCING

Savings and loans outpaced both life insurance companies and commercial banks in permanent lending activity for commercial and apartment projects during the second half of 1984, according to a survey by the Urban Land Institute (ULI).

The results were a dramatic turnaround from the first half of 1984, when S&Ls trailed life insurance companies and banks in the number of loans made.

ULI's second semiannual survey also showed that Wall Street investment bankers and real estate syndicators are becoming important sources of real estate debt and equity. Wall Street firms were not mentioned by respondents in the first survey.

Office buildings continue to be the most popular type of construction among all the builders surveyed, even though pre-leasing has declined. In the fourth quarter of 1983, pre-leasing was at 22 percent; during this period in 1984, it was 17 percent.

Another trend the survey uncovered was an increased willingness of lenders to make uncovered or open-end construction loans. In 1983, one project in seven used such loans; in 1984, one in five did.

Builders also are using public financing programs, such as industrial development bonds or Urban Development Action Grants, and rehabilitation tax credits. The survey showed the weighted average interest rate for publicly financed programs as just under 11 percent. Private source loans

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SOURCES OF PERMANENT FINANCING

All loans	Percent total
Savings and loans	22.9%
Life insurance companies	18.7
Commercial banks	18.5
Public financing	6.4
Mortgage bankers	6.2
Pension funds	5.6
Savings banks	5.4
Other (including credit corporations, Wall Street firms, REITs and syndications)	16.6

Source: Urban Land Institute

CONTINUED FROM PAGE 50

have a mean interest rate of almost 13 percent.

Data for the survey came from 477 projects with a total value of $8.3 billion.

June Fletcher, features editor

GOVERNMENT

BUILDERS WORRY ABOUT HOUSING THE POOR

Now that the federal government has all but washed its hands of subsidized housing programs, builders are beginning to wonder where poor people are going to live.

That was the big question at a Low and Moderate-Income Housing Conference sponsored by NAHB in late May. The Washington, D.C., conference was the most tangible indication yet of builders' growing concern over the gutting of federally assisted housing programs. But that concern has come too late to save many of the programs.

Federal housing subsidies have been cut by two-thirds since the Reagan administration took office "and now they're prepared to cut the other third," charged John Linfield, executive vice president of the National Housing Conference.

At least one conference speaker said home builders share the blame for that. "The constituency for low and moderate-income housing disappeared—including this group," said George Sternlieb, an urban policy expert at Rutgers University.

Miami builder Hank Green agreed. "We're sleeping at the switch here in this industry," he said.

While there was dispute about whether various programs had been successful or not (Reagan administration representatives said not), the consensus was that housing poor people is inherently expensive and that the federal government simply isn't willing to foot the bill anymore.

So, what now?

For one thing, local governments need to do their share, said Rep. Stewart McKinney, ranking Republican on the House housing subcommittee. Cities could donate land, move to make use of abandoned buildings and lots, provide infrastructure or forgive property taxes on low-income housing projects.

"Congress should help, but the attitude that just the federal government can do it is wrong," McKinney said. "We can do the job, but we need everybody playing."

Tucson builder and former NAHB president Pete Herder agreed that a public/private partnership is about the only way left. He outlined a smorgasbord of programs and financing sources used to build affordable apartments and houses in Tucson.

The city kicked in the land, used Community Development Block Grant (CDBG) funds to help build infrastructure and delayed property tax payments. The state pitched in with money for land improvements and infrastructure.

More funding came from the Urban Development Action Grant (UDAG) program and the use of tax-exempt industrial development bonds for apartments and tax-exempt mortgage revenue bonds for single-family houses.

Another program under way in Massachusetts provides loans to developers to reduce interest rates on new rental projects where 25 percent of the units go to low-income people. After 15 years, the loans must be paid off and projects can be sold. The state plans to plow repayments back into the program to build more apartments or assist existing tenants.

Called SHARP (State Housing Assistance for Rental Production), the program is working successfully in Massachusetts and could work at the federal level too, said Marvin Siflinger, executive director of the Massachusetts Housing Finance Agency.

But he stressed that the program can't meet the need for low-income housing in his state without federal programs like HODAG (Housing Development Action Grant), UDAG and CDBGs. (The Reagan administra-

CONTINUED ON PAGE 60

Photo: Marty Heitner, Uniphoto Picture Agency

Some cities lose more affordable housing through demolition and abandonment than they gain, especially since the federal government lost interest in producing subsidized housing.